

**YAKIMA SCHOOL DISTRICT No. 7**  
**Yakima County, Washington**  
**September 1, 1994 Through August 31, 1995**

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**Schedule Of Findings**

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1. The District Should Improve Internal Controls Over Cash And Inventory In The Associated Student Body Fund Bookstore At Washington Middle School

On November 1, 1995, district officials notified the Office of State Auditor that funds were missing from the Washington Middle School Associated Student Body Fund Bookstore. Our audit of the financial records of the bookstore revealed that approximately \$1,200 in public funds and/or inventory were misappropriated or missing. There were no federal funds involved in this case.

Our audit of the financial records of the bookstore revealed that internal controls over cash and inventory needed to be strengthened. For example:

- a. Students were allowed to operate the bookstore without adult supervision.
- b. A cash register was available for use in the bookstore; however, it was not used in the daily balancing process to ensure proper accountability of daily receipts.
- c. Perishable food items on hand at the end of school year 1994-95 were disposed of without proper district approval. The district did not have proper evidence of destruction for inventory items valued at approximately \$500.
- d. There were inadequate controls over the bookstore deposit process. Only one person was assigned to count and balance daily cash receipts before preparing the deposit.
- e. There was no reconciliation performed by district officials to ensure that the amount of funds collected by the bookstore agreed with the amount of funds actually deposited. As a result, the bookstore incurred cumulative unexplained cash shortages valued at approximately \$700 during the school year 1994-95 and two months of the 1995-96 school year (operations were closed October 25, 1995).

The district has a faithful performance blanket position coverage insurance policy. However, this loss was not covered by the bonding company because it was less than the deductible provision of the policy.

District officials informed us that in the future vending machines will be utilized at this location.

We recommend that if the district reopens the bookstore, the district review overall accounting controls over cash and inventory at the Washington Middle School

bookstore, correct the weaknesses outlined above, and implement an effective system of internal control designed to ensure the protection of public assets.

2. Public Funds Were Misappropriated At Eisenhower High School

At the start of our audit, district officials notified us that funds received from a school dance were missing from the Eisenhower High School Associated Student Body. Our audit of the financial records of the Eisenhower High School Associated Student Body Fund revealed that at least \$1,002 in public funds was misappropriated by one or more unknown employees during the period December 1, 1995, through December 6, 1995. There were no federal funds involved in this case. These funds were misappropriated as described below.

Cash receipts from a school dance held on December 1, 1995, were taken from the Eisenhower High School business office. These funds had been turned in to the business office, stored in the vault, but had not yet been deposited. In addition, there was no unauthorized entry to the building during the period of time these funds were stored at the business office.

RCW 42.20.070 states:

**Misappropriation and falsification of accounts by public officer.**

Every public officer, and every other person receiving money on behalf or for or on account of the people of the state or of any department of the state government or of any bureau or fund created by law in which the people are directly or indirectly interested, or for or on account of any county, city, town, or any school, diking, drainage, or irrigation district, who:

- (1) Shall appropriate to his or her own use or the use of any person not entitled thereto, without authority of law, any money so received by him or her as such officer or otherwise; or
- (2) Shall knowingly keep any false account, or make any false entry or erasure in any account, of or relating to any money so received by him or her; or
- (3) Shall fraudulently alter, falsify, conceal, destroy or obliterate any such account; or
- (4) Shall willfully omit or refuse to pay over to the state, its officer or agent authorized by law to receive the same, or to such county, city, town, or such school, diking, drainage, or irrigation district or to the proper officer or authority empowered to demand and receive the same, any money received by him or her as such officer when it is a duty imposed upon him or her by law to pay over and account for the same, shall be punished by imprisonment in a state correctional facility for not more than fifteen years.

The following Eisenhower High School business office and vault security weaknesses allowed this loss of public funds to occur:

- a. The business office is open and unsecured within the school building. Thus, anyone who had access to the building automatically had access to the business office.

- b. Cash handling procedures were inadequate and did not fix responsibility for funds maintained in the Eisenhower High School business office and vault. For example:
  - (1) Deposits were not made daily.
  - (2) A log was not maintained to transfer accountability for funds contained in bank bags which were returned to the business office by the district courier. However, the district implemented this procedure after this loss of funds occurred.
- c. The combinations of the school vault and safe were not changed periodically or when employees who knew the combinations terminated employment in the building. However, the district changed these combinations after this loss occurred.

The district has a faithful performance blanket position coverage insurance policy. However, this loss was not covered by the bonding company because it was less than the deductible provision of the policy.

We recommend the Washington State Office of the Attorney General and the Yakima County Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances. Any compromise of settlement of this claim must be approved in writing by the Attorney General and State Auditor as directed by RCW 43.09.260.

We also recommend the district review overall accounting controls at the Eisenhower High School business office, correct the weaknesses outlined above, and improve the system of internal control designed to ensure the protection of public assets.